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Social Policy and Labour Standards: A South Indian Case Study

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Abstract: The paper documents substantial improvements in labour standards over the past 30 years in villages in the Tiruppur region, a dynamic centre of knitwear production for export in western Tamil Nadu. It shows how changes in terms and conditions of employment on the one hand, and changes in state social policy on the other, have combined to produce substantial improvements in living standards in the labourer population in the period under review. While there have been distinct improvements over the situation 30 years ago, however, labourers are still working under terms and conditions of employment that are relatively poor. This is a low road to development not more.

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I. Introduction

This paper looks at the way in which terms and conditions of employment have combined with strong state social policy to improve labour standards in an industrialising region of South India. Labour standards are taken here to mean provisions made for labour, whether by employers or by the state. Social policy has come onto the agenda for developing countries with the rise of neo-liberalism, and its 'freeing up of labour markets', encouragement of 'flexible labour markets', et al. India was one of a number of countries that expanded its social policy initiatives as part of its neo-liberal project in the 1990s and early 2000s.² The expansion of social policy was seen as necessary to contain resistance to neo-liberal policies. Social policy was also seen as transferring some of the responsibility for the provision for the reproduction of labour from capital to the state. This was a project that some fractions of capital were willing to support. At the same time however, social policy strengthened the position of labour, and the bargaining position of labour vis a vis capital. This made it a project that labour was willing to support as well.

This paper looks at a case in southern India in which there is clear evidence of expanded social policy initiatives at the state and national level strengthening the position and bargaining power of labour in the 1990s and 2000s. The context is one driven by dynamic industrial growth linked to the global market, part of the neo-liberal project in which India has been involved over the past 3 decades or so. The paper looks at how some of this was played out at the local level in this particular case.

The aspect of neo-liberalism that is represented here is the expansion of the production of knitwear for export, in a relatively decentralised and labour-intensive industry dominated by small-scale production units, centred on Tiruppur in western Tamil Nadu. The strong social policies that accompanied this were driven by the populist politics for which the state of Tamil Nadu is well known.

The paper traces what happened in villages in the vicinity of Tiruppur between 1981/2 and 1996, and between 1996 and 2008/9, focusing on the effects of neo-liberal industrial growth accompanied by strong social policy on agricultural labourers. The paper is based on fieldwork spanning the period from 1981/2 to 2011. The first period of fieldwork, in 1981/2, pre-dated the growth of knitwear production for export, and

¹ The research on which this paper is based has been funded by the UK Department of International Development (DFID, formerly ODA), the Oxford University Webb Medley Fund, the Leverhulme Trust and the Queen Elizabeth House Oppenheimer Fund, at various stages. The 2008/9 research has been funded as part of a project on the effects of the expansion of the garment industry in the Tiruppur region funded by a DFID-ESRC Research Award (RES-167-25-0296), a project in which Grace Carswell, Geert De Neve, and M. Vijayabaskar were also involved. The research could not have been done without the support of Dr. V. Mohanasundaram, my interpreter and co-researcher for most of the fieldwork since 1981/2, and without the contributions of M.V.Srinivasan, Paul Pandian, Selva Murugan, Arul Maran, and Gowri Shankar who acted as research assistants at different stages in the field. The research has also benefited from discussions at seminars in Oxford and elsewhere, and from discussions particularly with M. Vijayabaskar, K. Nagaraj, S. Jeyaranjan, Barbara Harriiss-White, and Sharad Chari.

² See Barrientos and Hulme (2008) for examples of other developing countries that did so too.

the strong social policies which accompanied it. By the time of the second period of fieldwork, in 1996, the effects of the expansion of knitwear production were being felt in the villages, and the effects of social policies were beginning to be seen. By 2008/9, knitwear had become a major feature of the local landscape; likewise social policy. The paper traces the effects of these developments on labour. It focuses particularly on labour that continued to be employed in agriculture. The terms and conditions of employment in agriculture tracked those in industry for much of the period under review.

The paper starts with a brief introduction to the region, and the study villages. It then sets out terms and conditions of employment on the one hand, and social policy on the other, in 1981/2, 1996, and 2008/9. This is followed by a discussion of the interactions between social policy and industrial development and the effect that these had on labour standards. The paper ends with a concluding section.

II. The region, the villages and the data

The study villages are part of the Coimbatore region in western Tamil Nadu, the early industrialisation of which centred on the city of Coimbatore. Industrialisation was linked with agriculture in the region in the 1920s and 1930s, both through textiles which depended on cotton, and through engineering which produced pumpsets for agriculture as well as textile machinery. Industrial entrepreneurs came from the dominant agricultural castes. Dominant agricultural castes also provided much of the industrial labour.³ The industrial sector diversified over time, incorporating light industries of all kinds, but textiles and engineering remained dominant. Agriculture, already relatively highly commercialised and capital intensive in the 1930s,⁴ also played an important role. There was a further spurt of intensification of agriculture in the 1950s and 1960s with the electrification of lift irrigation and high levels of use of purchased inputs. The combination of relatively high levels of industrialisation with a relatively commercialised agriculture defined the development of the Coimbatore region for much of the 20th century.

(i) The first systematic survey on which this paper relies was conducted in 1981/2, before the expansion of the knitwear export industry. Coimbatore was already relatively industrialised. Much of this industry consisted of large and medium-scale textile and engineering units clustered in and around Coimbatore. It was not easy for people from the study villages to get access to employment in these units in 1981/2. The study villages were relatively 'remote' at the time, i.e. not on a main road.⁵ The bulk of village employment was in agriculture. The remainder was in trade and services derivative of agriculture. The villages were dominated by an oligarchy of 'thottam farmers' making up 12-13% of the household population, with holdings averaging 7 acres, some irrigated by wells, some dry. These were not large farmers, but they were farmers operating intensive systems of production and making relatively good profits from doing so. Gounders were the most numerous of the

³ Baker (1984); Chari (2004); and Damodaran (2008).

⁴ Chari (2004).

⁵ The study villages comprise 6 hamlets in 2 revenue villages 40-60 km from Coimbatore and 25-30 km from Tiruppur. Members of a random sample of 20% of the households in these villages were interviewed between August 1981 and March 1982, a sample of 230 households in all. Sample interviews and discussions were supplemented by in-depth interviews with people outside the sample as well.

landholders in the study villages in 1981/2. Naidus were much less numerous but also had significant landholdings. Chettiars, who were strongly represented in trade as well, were the other major landholding group.⁶ The other caste groups represented in large numbers were two Dalit labourer groups, Chakkiliyars and Pannadis.⁷ A variety of other caste groups were represented in smaller numbers.

In 1981/2, land was irrigated exclusively by deep open wells with bores, the deepest of which went down to 200ft. Cotton, sugarcane and turmeric were the major well-irrigated crops, supplemented by groundnuts, bananas, tobacco, coconut, tapioca, chillies, mulberry, paddy, cholan, ragi, cumbu and a variety of other cereals, vegetables and fruits. Cholan, groundnuts, gingelly and a variety of pulses, were grown on dry land. There was also a substantial livestock economy. There was relatively little mechanisation of field operations. Most of the draught power was provided by bullocks. There were only 2 tractors in the villages in 1981/2. The system relied on large numbers of labourers working throughout most of the year.

The state played a strong role in 1981/2 providing agricultural research and extension, veterinary services, credit, et al. There were also food for work programmes on a limited scale. The state also had a presence in education, and a much less strong presence with respect to health. There were no health centres in the villages in 1981/2.

(ii) The next systematic survey was conducted in 1996.⁸ By then the production of knitwear for export had taken off in Tiruppur and Tiruppur was growing faster than Coimbatore. Knitwear exports had grown from an estimated 10m pieces in 1984 to 257m pieces in 1996, and from an estimated value of Rs.10 crores in 1984 to Rs.1892 crores in 1996 (Singh and Sapra, 2007). These are conservative estimates. Not only were exports not all captured here. Production for the local market was growing alongside that for export as well. It is difficult to estimate the numbers employed in the industry but it was probably well over 100,000 already in 1996, including migrants as well as local people. Tiruppur was the focus of attention in discussions of employment opportunities in the study villages in 1996, and of much else too. Large numbers of individuals resident in the villages were commuting to work in Tiruppur and other nearby towns and urban centres, not only to knitwear units. They were also commuting to work in spinning, weaving, engineering, metalworking and a whole host of other non-agricultural activities. Much of the industrial growth was small scale and decentralised. Industrial units were also being set up in the villages and surrounding rural areas. The development of transport and communications, which had improved enormously since 1981/2, was crucial to all this.

Agriculture was doing much less well in 1996. One of the main reasons for this was the rise in labour costs, with the growing competition from industry and other non-agricultural activities. Another was a decline in the water table which had been

⁶ These were 501 Chettiars, not to be confused with Devanga Chettiars, a weaver caste, represented only in small numbers in the villages in 1981/2. 501 Chettiars are Tamil-speaking; Devanga Chettiars speak Telugu.

⁷ Chakkiliyars, were leatherworkers, also known as Madaris, or Arunthathiyars. Pannadis were Pallars, also known as Devendras. There were no Paraiyars, the other large Dalit group in Tamil Nadu.

⁸ 1996 data come from a May-June re-survey of the 85% of the 1981/2 sample households that still had descendants living in the villages. Some information about those who had left was also obtained. 1996 sample interviews and discussions were supplemented by interviews with people outside the sample again too.

seriously depleted by the intensification of agriculture. Agriculture was also getting less support from the state.⁹ Agriculture was now relying on borewells which were gradually replacing open wells, the deepest going down to 600ft. Irrigation technology had become more expensive and it was producing less water than before. Though there were now 4-5 tractors in the villages, bullocks were still widely used. There was more irrigated cotton, despite the growing shortage of labour. There were also more bananas. There was less rain-fed cultivation than there had been in 1981/2. The mix of minor crops grown on irrigated land had changed too. Fodder shortages limited the role of dairy production but it was playing a bigger role in 1996 than in 1981/2.

The state had expanded its role significantly with respect to social policy (see below). Its support for production had been decreasing though.

(iii) Brief periods of fieldwork in 2003 and 2004 were followed by a new survey in 2008/9.¹⁰ Knitwear production had expanded further. Exports had grown from an estimated \$5.4K in 1996 to \$2.5bn in 2008/9. There were now an estimated 400,000 or more people working in the industry, about 60% of whom were migrants (Dorairaj, 2010). The knitwear industry was having a very significant effect on the villages in 2008/9. There had been more outmigration, and some immigration which was new.¹¹ There was only a small increase in industrial units in and around the villages. There had been substantial real estate development. There had also been a proliferation of financial services.

An important development in 2008/9 was the establishment of two steel mills, one starting up in 2009, the other due to start in 2010.¹² Agriculturalists were worried about the pollution with which they would be associated. Most of the steel mill labour came from northern India. It was unclear how much business for local trade and services they would generate. The steel mills represented additional resources for the panchayat however, and Dalits, particularly, expected to benefit from this.

There had been a marked decline in agriculture in the villages by 2008/9. Much less land was being cultivated than in 1996. Water was now being tapped from as deep as 1200ft. More tractors and other motorised vehicles were being used for transport, and for field operations. There were far fewer bullocks than in 1996. There was very little cotton left, and much less sugarcane. There were more bananas and turmeric. Among the minor crops that were being grown was maize, linked with poultry units that had emerged on a number of farms too. Agricultural employment had not fallen very much however because agricultural labourers from the villages were now working over a wider geographical area than before.

⁹ This was true in large parts of India. See Government of India (2007) for example on this. See Government of India (2005) on Tamil Nadu too.

¹⁰ Selective interviews were conducted in May 2003 and August 2004. In 2008/9, members of a new 20% sample of households in the hamlets and revenue villages surveyed earlier were interviewed as part of a larger project on the impact of the Tiruppur knitwear industry on the region. Sample interviews and discussions were supplemented by selective in-depth interviews again.

¹¹ The Census data show that the population remained more or less unchanged between 1991 and 2001. School Census data show that this remained the case in 2008 too.

¹² Among the reasons given by managers for the steel mills locating in these villages were that the state was 'business friendly', that this was a relatively lightly populated area (sic), and that there was a ready source of power. Their location seemed to the villagers entirely arbitrary though.

There had been significant further expansion of state welfare programmes including the NREGS (National Rural Employment Generation Scheme) which was just getting off the ground in 2008/9. These were having noticeable effects both on standards of living and on the bargaining power of labour (see below).

Brief return visits in 2010 and 2011 showed a substantial expansion in the uptake of the NREGS, and some new departures, including the widespread use of drip irrigation, in agriculture. These visits also made the impact of the steel mills clearer. Farmers were no longer so worried about pollution from the steel mills, and there had been a substantial increase in business for retail shops et al. Broadly, however, these visits confirmed trends already evident in 2008/9.

With this background we now look at (a) terms and conditions of employment, and (b) social policy, in 1981/2, 1996 and 2008/9.

III. Tracing the impact of the expansion of knitwear production and the development of social policy

(i) Terms and conditions of employment in 1981/2

In 1981/2, most of the working population in the villages was employed in agriculture, or in trade and services derivative of agriculture. There were three types of agricultural employees: pannayals, or tied labourers, employed on an annual basis; casual labourers employed on a daily basis; and sugar cane crushers working on contract outside the villages as well as within for 6-10 months in the year, staying away for months at a time. Pannayals were all male and nearly all Chakkiliyars. Casual labourers were male and female and from all caste groups. Sugar cane crushers were all men, the majority Pannadis. Table 1 shows the numbers of males involved in each of these different types of agricultural employment.¹³

A relatively small number of people were employed outside agriculture in 1981/2, most of them in trade and services, a few in larger scale manufacturing units outside the villages. Table 2 shows these numbers in 1981/2.

Pannayals were employed by thottam farmers who were sophisticated agriculturalists, managing relatively capital intensive enterprises, operating in a variety of different markets, and keeping up with the latest seeds and other plant varieties, agronomic practices, et al. They employed 1-5 pannayals each in 1981/2. They also employed substantial quantities of casual labour on a daily basis.

Relations between pannayals and their employers were extremely oppressive in 1981/2.¹⁴ Pannayals were beck and call labourers working long hours. They were required to stay on the farm at night to look after livestock, equipment, and stores, if their employer did not live on the farm. They also did a substantial amount of night irrigation work. Boys started working as pannayals when they were 10 years old, or less, first for their keep, gradually getting more as they grew up. The annual earnings of adult pannayals doing the full range of tasks were considerably higher than those of

¹³ This paper focuses on male employment. Female employment is dealt with elsewhere (Heyer, 2010c).

¹⁴ Cederlof (1997)'s account of relationships between Gounders and Chakkiliyars in the 1930s and 1940s resonates with relationships still prevailing in the villages in 1981/2. See Breman (1974) for an account of similar types of relationships in Gujarat too.

casual labourers.¹⁵ There were discretionary benefits which included time off, loans and 'help' with expenditure on health care, life-cycle ceremonies, et al. Discretionary benefits were key instruments of control which pannayals resisted by doing things like buying produce in the local markets instead of from their employers and getting loans from elsewhere.

Thottam farmers used large numbers of casual labourers for particular operations. Small farmers employed smaller numbers likewise. The standard hours for casual labourers were 9-6 in 1981/2. Some worked from 6-9 in the early morning as well. They got food at work if their employer did not want them to go off in the middle of the day. There was employment more or less round the year. Seasonal unemployment was not a major issue at the time. There were people who had moved to these villages when a house became available because they knew that these were villages in which it was always possible to get work. There were problems in years of severe drought however. Then people went considerable distances to seek work to tide them over until employment in the villages became available again. There were families for whom droughts had been occasions to migrate permanently too.

Sugar cane crushing was done by groups on a contract basis. It involved working long hours in poor conditions, staying on the farm where the sugar was being crushed, earning somewhat more than pannayals. Much of what was earned was spent on the job however. The families of sugar cane crushers complained about how little money they brought home. Sugar cane crushers responded that the work was so hard that they had to drink much of what they had earned to be able to continue to do the job.

(ii) Social policy in 1981/2

Social policy is defined here to include state interventions which protect and promote lower income groups in the population. In this case it included the provision of subsidised food and other essential commodities; the provision of housing and amenities associated with housing; the provision of health care; pensions, maternity, accident and disability benefits; et al. Support for education was also an important component of social policy. Employment generation schemes and schemes to support self-employment are included here too.

There was only a limited amount of recognisable social policy reaching the villages in 1981/2, and not much of it was reaching labourers and their families. This was one of the reasons that labourers were so dependent on employers at the time. Most of the strong social policy for which Tamil Nadu is known only reached the villages in the later 1980s and thereafter. In 1981/2 there were intermittent food for work programmes on which manual labourers but rarely Dalits were employed. There were the beginnings of what were to become major housing developments. New Dalit colonies were in the process of being set up in 2 of the 4 hamlets in the study villages in which there were substantial Dalit communities in 1981/2. The initiatives for these new Dalit colonies came from thottam farmers drawing on state support. Apart from housing, social protection was still very much a matter for the village elite in 1981/2.

¹⁵ The annual rate of pay for pannayals in 1981/2 was Rs.2400/- for an adult doing the full range of tasks, with or without one or more meals per day. This was equivalent to the highest daily casual labour wage of Rs.7/- for 343 days of the year without taking account of any of the additional perks available to pannayals. Male wages for casual labour in 1981/2 were Rs.5/-, Rs.6/- and Rs.7/-.

(iii) Terms and conditions of employment in 1996

By 1996 there had been a substantial decline in employment in agriculture. There were nearly as many paid male employees in non-agricultural employment as in agricultural as Tables 1 and 2 show. This was the result of the integration of the villages into the wider local economy and its growing industrial activity that had taken place since 1981/2. Non-agricultural employment was in textile mills and engineering workshops as well as knitwear. There was relatively little paid employment in trade and services. There were relatively few government employees in the total too.

The majority of employees in the industrial sector were in relatively unskilled jobs, many though not all of these jobs providing more regular employment than agriculture. Hours were longer however, and commuting added to what was already a long working day. For the majority industrial employment was not significantly better than agricultural.

Pannayal employment was still widespread in 1996 though less so than in 1981/2 (Table 1); casual labour remained the dominant form of employment in agriculture; contract labour (not distinguished from casual labour in Table 1) was now being used for tasks other than sugar cane crushing; and more people from the villages were now involved in sugar cane crushing too. There was less child labour in 1996 than there had been in 1981/2.

The profitability of agriculture was lower in 1996 than it had been in 1981/2. Irrigation had become more expensive and was producing less water than it had in 1981/2. Increased labour costs were also a problem for those employing labour, but these had not resulted in much mechanisation, at least as far as field operations were concerned. There had been changes in cropping patterns but these were more evident in relation to minor than major crops. Thottam farmers were less dominant in the villages. They were moving into the wider industrial economy and educating their sons to enable them to move out as well. They were nothing like as buoyant or confident in 1996 as they had been in 1981/2.

Pannayals were no longer beck and call labourers. They had fixed hours of work, similar to those of casual labourers; and they had fixed holidays negotiated at the beginning of the year. It was no longer easy for employers to get pannayals to stay overnight on their farms. Employers complained that state provision of TV in the colonies meant that pannayals were no longer willing to work long hours either. Employers also complained that pannayals taken on at the beginning of the year often left without completing their contracts, and that it was no longer possible to get Chakkiliyar elders to bring them back. Pannayal pay had increased substantially. Adult pannayals were being paid nearly twice as much in real terms in 1996 as they had been paid in 1981/2.¹⁶ There were fewer boys working as pannayals, and fewer

¹⁶ In 1996, adult pannayals doing the full range of tasks were paid Rs.10-11,000/- p.a. This represents an up to 100% increase using the Coimbatore rural rice price, and up to 90% using the CPIAL. (The India Labour Journal is the source both for the rice price and for the CPIAL.) This overstates the real rise though. There are a number of items of increased expenditure that are not included in the CPIAL, including things like health care et al. Patterns of expenditure have changed much more dramatically in Tamil Nadu than in other parts of India, many new items being regarded as necessities which they certainly were not before.

young men. Relations between pannayals and their employers were much less oppressive generally.

Terms and conditions of casual labour had also improved. Hours were shorter. And pay had nearly tripled. The wages of casual labour had increased much more substantially than those of pannayals.¹⁷ Seasonality was more of an issue in 1996 however than it had been in 1981/2.

Contract labour was now being used for many tasks, not just for sugar cane crushing. Many men preferred contract to casual labour because they could earn more working for fewer hours that way.

There was also more sugar cane crushing work in 1996, most of it outside the villages, and women were involved as well as men. The majority of sugar cane crushers were Pannadis, as in 1981/2.

Thus, there had been a considerable improvement in terms and conditions of labour in agriculture as agriculture competed with the better terms and conditions available in non-agricultural employment in 1996. This could be attributed at least in part to the integration of the village economy into what was a dynamic local economy driven by the expansion of knitwear production for export that had been so striking in and around Tiruppur. It could also be attributed to the expansion of social policy. It was not just improvements in employment conditions that improved the position of labour though. Social policy was also contributing very significantly, both directly and indirectly, in 1996.

(iv) Social policy in 1996

A substantial number of new social policy programmes and policies were in place in 1996. Earlier programmes had also been expanded. Some of the more important of these as far as labourers in the villages were concerned were the PDS (Public Distribution System); the ICDS (Integrated Child Development Services); free school meals, school uniforms and books; pensions and maternity, accident, and disability benefits; and housing developments. There had also been a significant expansion of education and some improvement in health coverage though there was still no health centre in the villages. The IRDP (Integrated Rural Development Programme) had been continuing as had intermittent employment generation schemes. Many other programmes to support production were declining though.

The PDS was a flagship programme¹⁸ providing subsidised food and essential commodities including rice, sugar, some wheat products, and kerosene, and an annual distribution of saris and dhoties. Whereas in 1981/2 the PDS had had a very low profile, having only relatively recently been extended to the rural areas, in 1996 it was playing a significant role. Not all households were able to access it successfully. There were problems with the reliability, and the quality, of supplies. But it was reaching large numbers in 1996.¹⁹

¹⁷ Daily agricultural wages for men were Rs. 5/-, Rs.6/- and Rs.7/- in 1981/2. In 1996 they were Rs. 40/-, Rs. 45/-, Rs. 50/-. This represents an up to 200% increase using the Coimbatore rural rice price, and up to 175% using the CPIAL.

¹⁸ cf. Venkatsubramaniam (2006).

¹⁹ See Harriss-White (2004a) for more detailed information on its reach in north eastern Tamil Nadu villages in 1993/4.

The ICDS supplemented the PDS, providing food for pregnant women and young children. It also provided child care for small numbers of pre-school children whose parents went out to work.

Free school meals, uniforms and books, introduced in 1984, were generally regarded as having had a significant impact on participation in education in Tamil Nadu.²⁰ Participation in education had increased very substantially in the villages between 1981/2 and 1996.²¹ There had been a substantial reduction in child labour in Dalit households between 1981/2 and 1996 too.

Pensions and maternity, accident and disability benefits were only reaching some of their intended beneficiaries in the villages in 1996,²² but the fact that they were available was significant nevertheless.

Dalit housing had improved enormously between 1981/2 and 1996 in two of the four study villages in which there were Dalit communities. The colonies being established in 1981/2 were up and running, doubling the number of house sites and houses, and providing more public space as well. Similar extensions were being planned for the other two Dalit communities. Dalits were spending more on buying house sites, and building and extending houses with or without contributions from the state. This had led to increases in indebtedness.

There were a number of credit programmes providing loans for small-scale self-employment in the 1980s and first half of 1990s.²³ The majority of investments financed by such programmes in these villages were livestock investments. There were also employment generation schemes, but these were not very visible in the study villages in 1996.

Overall, this amounted to a significant expansion in state social policy reaching low-income households, reducing their dependence on employers and the village elite. This reinforced the impact of integration into the rapidly growing industrial economy that was also playing a role in reducing dependency in the villages.

Employers complained that social policy developments were undermining their position. They attributed labourers not being willing to work as much, or as hard, or for as long, to all the ‘pampering’ they were getting from the government. Employers also attributed the increased assertiveness of labour to ‘Tiruppur’, the local shorthand for the expansion of the knitwear industry. The balance had clearly shifted in favour of labourers for other reasons too, including changing attitudes on the part of state officials, et al. There were also wider social influences at work through TV and other media as well as heightened geographical mobility.

(v) Terms and conditions of employment in 2008/9

Paid employment outside agriculture had overtaken that in agriculture for men in the study villages by 2008/9 (Table 2). What was also striking was that, unlike in 1996, manufacturing employment was now dominated by employment in the knitwear industry. There had also been an increase in employment in miscellaneous trade and

²⁰ cf. Kajisa and Palanichamy (2010).

²¹ See Heyer (2010a).

²² See Harriss-White (2004b) on this too.

²³ See Swaminathan (1990) on the IRDP.

services, much of it associated with transport and other activities related to the knitwear industry.

The majority of people resident in the villages who were employed in the knitwear industry were in relatively unskilled jobs. These included tailors who had learnt the job by working as ‘helpers’ for a year or more. This was not strictly speaking ‘unskilled’ employment. It was however employment that was easily accessible to manual labourers if they started young enough. People from the study villages were employed in knitwear production for the domestic market as much as for export, and this was more regular than export production.²⁴ Although much of this employment was also more regular than agricultural labour, hours were long and pay was not very different. Most of the people who worked in the knitwear industry were young. They were attracted by what they regarded as relatively ‘light’ work, and work that was relatively social. They also liked getting out of the villages. There were few prospects of advance for these employees though. They were likely to continue in the same roles for as long as they continued to work in the knitwear industry.

There had been only a small decrease in the numbers of agricultural labourers in the villages in 2008/9 (Table 1). Pannayal labour had virtually disappeared. There was no more child labour in agriculture either. Contract labour was now the dominant form of male agricultural employment. Women also did contract labour, but not as much as men. People employed on contract worked outside the villages as well as within. None of them was doing sugar cane crushing work though. Sugarcane was now being processed in mills.

Contract labour was organised informally. Someone would hear about the work, and get a group together. Pay was better if the work was further away. If far away the employer would send a truck to pick the labourers up, and they would often stay for several days to complete the work. Employers in the villages complained that men were rarely willing to do casual labour in 2008/9. Daily wages for men varied between Rs.100/- and Rs.150/- for a 6-hour day. If they worked on contract they could get up to Rs.200/- or Rs.250/- per day in the villages, and more if they worked further away. Women were also doing contract labour in the villages but they still did more casual than contract labour. Daily wages had only increased in real terms by a little more than 20% since 1996. This was much less than the increase between 1981/2 and 1996. If one compares what men were getting on a daily basis in 1996, however, with what they were getting on a contract basis in 2008/9 the increase is nearer 35%.

It was clear that there was not enough work in the villages for the agricultural labourers who lived there in 2008/9. But employers in the villages had to compete with what was available elsewhere in agriculture as well as what was available in non-agricultural employment. There was a whole discourse on the part of employers concerning the fact that they felt they had to treat their labourers really carefully if they were to get them to come to work. Pay may have increased year by year, but this was not enough. Agricultural labourers’ discourse included the fact that there was not enough work in the villages, which was why they had to go outside for work. However, it paid, and they could get enough work if they were willing to work further

²⁴ See De Neve (2010) for more on employment in export units.

away. These were people who did not want to work in factories, or in construction, et al.

The bargaining power of labour was clearly stronger in 2008/9 than it had been in 1996, or 1981/2. It was enough to keep pay in agriculture more or less on a par with industry, and to ensure reasonable relations with employers too. A knitwear worker from one of the study villages whose brother was an agricultural labourer commented that agricultural employers were having such difficulty getting labour in 2008/9 that agriculture was now paying better than the knitwear industry.

It was not only competition for labour from industrial and other non-agricultural activities that had strengthened the position of labour. It was also the expansion of social policy. We turn to this now.

(vi) Social policy in 2008/9

Further developments in social policy included a substantial expansion of the PDS. School meals had also improved and their uptake had increased. There were more pensions, and maternity, accident and disability benefits reaching labourer households though the sums involved were small. There had been significant further improvements in Dalit housing. Education had improved too, as had health care – there was now a health centre in one of the study villages. There was less support for small scale self-employment and what there was was now channelled through SHGs (Self Help Groups). Earlier employment generation schemes had been replaced by the NREGS. This was a new initiative with major long term implications that was only just getting off the ground in the villages in 2008/9.

Dalit households were getting a substantial proportion of their rice through the PDS in 2008/9. They were getting a range of other foodstuffs, and other commodities, as well.²⁵ The price of PDS rice was reduced from Rs.3/50 to Rs.2/50, and then Rs.2/00, and finally, in September 2008, Rs.1/00 per kg., by the DMK government which was elected in 2006. These moves took the price way below the Central issue price, substantially increasing the subsidy born by the state.²⁶ The food subsidies were particularly important in 2008/9 when food price inflation was high. Rs.1/- per kg rice when the open market price was Rs.14/- per kg or so for the poorest quality was a real boon to the poor.

Another initiative of the DMK government elected in 2006 was the distribution of free colour TVs to individual households. In 1996, TVs had been distributed to Dalit colonies, each of which got a TV for the communal use of the colony as a whole. Almost all Dalit households and a large number of non-Dalit households in the villages had free 'Karunanidhi TVs'²⁷ in 2008/9.

²⁵ Tur dhall, urid(sic) dhall, palmolein oil, and more wheat products were added in May 2007.

²⁶ The Central Government issues food for public distribution to the states at subsidised prices, and states like Tamil Nadu provide additional subsidies of their own. Since 1997 the Centre has provided greater subsidies for households that are below the poverty line (BPL households) than for households that are above (APL households). Tamil Nadu is one of the states that has continued with universal provision making no distinction either with respect to prices or with respect to quantities to which BPL and APL households are entitled. Tamil Nadu does make a distinction for AAY (Antyodaya Anna Yojana) households though, giving them greater entitlements than others. AAY is a Central scheme that was started in 2001 for the bottom 5%. It was extended in 2004 to widows, destitute people, et al.

²⁷ Named after Karunanidhi, the Chief Minister of the state at the time.

There had been further improvements in Dalit housing by 2008/9. The new colonies being planned in 1996, one Chakkiliyar, one Pannadi, were up and running. Pannadis had also got an extension to their old colony. Significant numbers of Pannadis had bought houses in the main village to which they were attached as well. This was something that would have been unthinkable for Chakkiliyars. One of the villages in which Chakkiliyars had got a new colony earlier, in 1981/2, had added another colony by 2008/9. Efforts were being made to get more house sites on another piece of land there too. There still seemed to be an insatiable demand for Dalit house sites. Some of this was a demand for the future for children. Most was simply to get away from multiple occupancy, still quite widespread in 2008/9.

Participation in education had continued to increase. All Dalit (and non-Dalit) children under 15 were in school in 2008/9.²⁸ There was very little child labour in the villages any more. This reflected a major change in attitudes to children and children's education. Children were now the focus of attention, and seen as investments in the future, in labourer as well as other households. This was a far cry from 1981/2, and even 1996.

In 2008/9 all state provided credit was being channelled through SHGs, as in other parts of India. The SHGs in the study villages had not proved at all effective though. There was a spurt of activity in 2000/01 when the first were set up, but this soon petered out. More support would be needed if SHGs were to generate finance for self-employment et al.²⁹

A limited amount of employment was being provided by the NREGS in 2008/9. This was a new initiative on an altogether different scale from the employment generation schemes of the 1980s and the 1990s. It guaranteed up to 100 days of work per rural household per year in theory, for all who claimed it. The NREGS was started in selected districts in 2006, and extended to all rural areas in the country, including the study villages, in 2008/9.

The scheme was only attractive to women in the study villages.³⁰ Men's wages for agricultural and other manual labour were much higher than those of women, and much higher than those being paid by the NREGS. There was little demand for NREGS work in the villages at first. But the demand gradually picked up. In 2011 it was attracting large numbers from all Dalit colonies. There was some non-Dalit uptake in 2011 too.³¹

Agricultural employers regarded the NREGS as another assault on farmers already short of labour at a time when agriculture was getting little support from the state.

²⁸ This is mirrored in the state as a whole. Tamil Nadu has seen enormous advances since the early 1980s. It is within reach of achieving universal secondary education now (Kajisa and Palanichamy, 2010).

²⁹ See Kalpana (2005) for a discussion of the issues here. SHGs have been more successful in some other parts of Tamil Nadu than in the villages on which this paper focuses.

³⁰ Eighty three percent of beneficiaries in Tamil Nadu were women in 2009/10 (Government of India, 2010b). See also Khera and Muthiah, 2010.

³¹ The uptake of the NREGS has been very substantial in Tamil Nadu to date (Government of India, 2010b). Tamil Nadu had the 5th largest uptake in 2009/10, after Rajasthan, Andhra, UP and MP, when 4.4 million households in Tamil Nadu were provided with a total of 239 million days of work (Government of India, 2010b). The number of days of work nearly doubled in Tamil Nadu between 2008/9 and 2009/10. It increased again in 2010/11 too.

While the wage of Rs.80/- per day was on a par with what they were paying women for agricultural labour prior to 2010, when the wage went up on 1 January 2010 to Rs.100/-, they raised what they were paying to Rs.100/- too.³² Industrial employers also complained about the NREGS.

This all amounted to significant further expansion of state social policy reaching low income households, strengthening their overall position. It reinforced the impact of further integration into a fast-growing local industrial economy too.

Employers complained more than ever about the difficulty of getting people to work in agriculture, attributing these to state social policy as well as to 'Tiruppur'. Labourers, on the other hand, were now talking about not having to work as much, or as hard, because of the PDS et al. The NREGS was an added bonus as far as labourers were concerned, increasing the wages of female agricultural labourers as well. The combination of social policy with the continuing expansion of the industrial sector was continuing to shift the balance in favour of labour. There were powerful interactions here.

IV. Discussion

As the material presented in the previous section as made clear, the combination of increased employment opportunities in the growing industrial economy, and the expansion of social policy, led both to an increase in the wellbeing of labourers and their families, and to a strengthening of the bargaining position of labour vis a vis employers. It was the association of strong, decentralised and labour-intensive industrial growth in the local economy with the expansion of social policy that produced these results.

We consider a number of issues that arise from this. First, the tightening of the labour market. Second the increase in the bargaining power of labour. Third the division of responsibility for labour standards between employers through terms and conditions of employment on the one hand, and the state through social policy et al. on the other.

(i) The tightening of the labour market

One of the more striking features of the period under review was the tightening of the labour market. This was the beginning of the soaking up of the labour surplus, the beginning of a move from a labour surplus to a labour shortage economy.³³ The tightening of the labour market was the product of longer-term processes affecting both the supply of labour and the demand.

The increase in demand for labour in this case was dominated by the growth of the knitwear industry and all the subsidiary activities associated with this. Other industries contributed too – other textiles, particularly spinning and weaving; engineering; metalworking; et al. The growth of employment in the knitwear industry

³² Ravallion, M., 1991, suggests that this was one of the main benefits of the Maharashtra Employment Guarantee Scheme earlier too. Similar comments are being made on the NREGS now (Rajshekhkar, 2011). People in the study villages were paid the full Rs.100/- per day for 3-4 weeks after which the NREGS wage went down again to Rs.94/- in one revenue village and Rs.95/- in the other. This was less of a shortfall than that reported by Khera and Muthiah, 2010, though. Employers continued to pay Rs.100/- to women working in agriculture too.

³³ The increasing shortage of labour was being recorded elsewhere in Tamil Nadu too, not just in the Coimbatore/Tiruppur region (see Harriss et al. (2010) e.g.).

centred on Tiruppur outweighed all of these others though. The growth of demand for labour has been a Tamil Nadu-wide phenomenon in the recent period. But nowhere has it been as strong as in the Tiruppur area. Tiruppur has acted as a magnet for people from all over Tamil Nadu, from where the majority of its migrant labour comes. It has been drawing increasingly on labour from other states as well.

The labour supply had been affected by such things as the longer-term effects of fertility decline on the growth of the labour force; increasing participation in education reducing the number of young people in the labour force; and increases in wages and earnings giving members of labourer households less incentive to put in as much work as before. This latter was countered only to some extent by increasing aspirations providing incentives to put in more.

In discussions with members of Dalit labourer households in the villages in 2008/9, men, commenting on reduced compulsions to put in as many hours and days of work as earlier, pointed out that the Rs.1/- per kg rice made it possible to feed their families with 2-3 days work a week, instead of 5-6. Women making a similar point said that these policies made it possible for them to spend more time at home and less time out at work. This is understandable in terms of the value of some decrease in the input of hard manual labour. It can also be seen as a reflection on the limited aspirations of the people concerned.

Further light can be thrown on these issues by considering the changes that had taken place between 1981/2 and 2008/9 as a result of the increased participation of children in education and the improved standing of children within the household that accompanied this. In 1981/2 very little was spent on children, and children brought in earnings from an early age as well. In 1996, and even more so in 2008/9, households were doing without children's contributions to earnings and were involved in substantial additional expenditure as well.³⁴ Labourer households had been able to reduce their input of paid labour, and to increase their general levels of consumption as well as their spending on things like education, and health, and housing. There were trade-offs here. While the discourse reported in the previous paragraph emphasised the possibility of putting in less labour to meet essential expenses, it was obvious from actual behaviour that this was tempered by new expenditure demands such as spending on education, health, and housing, that put people under pressure to work more. The net effect had still been to reduce the supply of labour over time however. This could be seen in the reduction in numbers of young people in the labour force, the reduction of women in the paid labour force, and the reduction in numbers of days of paid work that men were putting in too.³⁵ Members of labourer households were having to work less hard for less long. However, they had incentives to put in additional work to finance higher levels of spending too.

Social policy interventions can be seen as having dampened increases in wages and earnings, by keeping the costs of living down, and by providing some of the benefits things that one would normally expect employers to provide. This had undoubtedly put a brake on increases in wages and other labour costs. The dampening effect has

³⁴ Very few labourer households in these villages sent their children to private schools, and the majority were benefiting from free school uniforms and books, but they were incurring additional expenditure on clothes et al., and on providing a good enough diet in addition to what children got at school.

³⁵ See Heyer (2010c) for more on this, particularly where women are concerned.

been obscured however by the fact that the increased demand for labour was strong and this meant that wages continued to rise despite these dampening effects.

(ii) Organised v. unorganised labour

Increased wages and earnings, and improved relations of employment, in agriculture, had come about without any formal mobilisation of labour. But the improvement in terms and conditions in agriculture was largely driven by what was happening in the knitwear industry in this case. Terms and conditions in the knitwear industry determined what agricultural employers had to offer to get labour to work for them.

While trade unions were active in the knitwear industry in the past, their last major demonstration of power was a strike in 1984 (Chari, 2004). Following that strike, and the rise of the production of knitwear for export, they lost their power, as the industry became more fragmented, and employers devised new strategies to outwit organised labour. By 2008/9 the membership of the trade unions was a fraction of what it had been at its peak, and the unions were playing only a relatively minor role (Chari, 2004; Vijayabaskar, 2010b).

CSR (Corporate Social Responsibility) had an influence on a small section of the knitwear industry, as De Neve (2009), (2010), shows. Its influence was very limited though. The majority of people working in the industry, and certainly the majority of people from the villages, were unaffected by measures promoted by CSR.

The terms and conditions of employment in knitwear production improved over time despite the increasing use of migrant labour and the decline in the power of the unions. Migrant labour was not a perfect substitute for local labour, nor was it possible to get unlimited supplies of migrant labour without increasing the wage. But wages did not increase as much as one might have expected given the enormous expansion of employment.³⁶ The strategies that employers adopted to limit the increase in wages were clearly having some success.

The fact that the bargaining position of labour had increased, as evidenced by labourers' ability to turn down employment, and to insist on minimum levels of pay, was certainly good for labour. One could argue that it was not good enough though. There had been very little upgrading of technology (Vijayabaskar, 2005), and terms and conditions of employment both in agriculture and in industry were still relatively poor. Improvements in social policy made the overall improvement in labour standards much better than they would otherwise have been though.

(iii) Terms and conditions of employment and/or social policy

This paper has focused on a case in which improvements in labour standards have come from a combination of changes in terms and conditions of employment on the one hand, and social policy on the other. This raises the question of how much should be expected of employers and how much of the state.

One might focus on employer responsibilities – not wanting to let employers off the hook. One might, alternatively, focus on what the state can do. The policy emphasis in

³⁶ The assessment of the extent to which wages increased relies on data on changes in wages of people from the villages employed in knitwear units, as well as on changes in the wages of agricultural labour in the villages being comparable with those being paid in the knitwear industry which they tracked, at least from 1996 on. It has not been possible to get reliable secondary data on wage increases in Tiruppur over the period under review.

India, and in neo-liberal regimes generally, has been on 'freeing up the labour market', 'reducing restrictions on employers', et al. Here, as in other cases, state social policy has been used to dampen the effect of such policies and contain resistance to them as well.

One of the questions that arises in connection with the state taking on more responsibility for providing for labour is its capacity to do so. Tamil Nadu has a better record than most states in India on this count. Not all states have the capacity to deliver on the scale that the Tamil Nadu state has done.

Another question relates to the financing of state provision. The state may take responsibility for some of the provision for labour, and finance it not from taxes on employers but through things like VAT, taxes on alcohol, etc. The Tamil Nadu state appears to have done this,³⁷ masking the extent to which labour is effectively paying for many of the benefits as well.

A relevant question in the Tamil Nadu case is whether state provision is being successful at too high a cost. The prime example here is the PDS. A good deal of the official Food and Consumer Protection Policy Note 2010/11 on the PDS (Government of Tamil Nadu, 2010a) is taken up with accounts of controls designed both to reduce inefficiencies and to limit the potential for corruption. There are undoubtedly inefficiencies in the system, though Swaminathan (2000) argues that for a programme of this kind these are not large. There is also a certain amount of corruption.³⁸ This may have to be accepted as necessary in a system that is providing a safety net for the poor. It is a serious issue though.

This brings us back to the bargaining power of labour, this time in relation to the state. If the bargaining power of labour vis a vis employers is not very strong, and not very well supported by collective action, we also need also to look at the bargaining power of labour vis a vis the state. Party politics has played an important role in getting social policies introduced, and implemented, in India, as has organised labour. Tamil Nadu was the first to introduce many of the social policies that have now been adopted at the national level. Populist politics in Tamil Nadu are usually regarded as responsible for this. There may be more to be gained by collective action putting pressure on the state to deliver better on its social policy though. This is an area in which labour mobilisation outside the workplace could play a role.

V. Conclusions

The paper has shown how terms and conditions of employment changed between 1981/2 and 1996, and between 1996 and 2008/9, as the rural areas in the hinterland of Tiruppur became more closely integrated into the growing industrial economy. Terms and conditions of employment in agriculture were harsh and oppressive in 1981/2 when a large majority of the population in the villages was working in agriculture. By 1996, the proportion working in agriculture had fallen, and terms and conditions of employment in agriculture had greatly improved. The majority of labourers working outside agriculture were working on terms and conditions that were not very different

³⁷ It is possible to see this by looking at figures reproduced in Government of India (2005), and Government of Tamil Nadu (2010b). Budget categories do not make it very easy to do this though.

³⁸ Transparency International's India Corruption Study ranked 5 states alarming, 3 states very high, 7 states high, 7 states moderate for corruption with respect to the poor and specifically the PDS (Transparency International, 2005). Tamil Nadu was one of the 3 states in the 'very high' category.

from those in agriculture too. In 2008/9, very similar numbers resident in the villages were still employed in agriculture, despite the very large increase in non-agricultural employment in the region as a whole. Terms and conditions of agricultural employment had improved again, on a par with those in non-agricultural employment.

The paper has also shown how state social policy developed over this period from playing a very limited role in 1981/2, to playing a significant role in 1996, and a very much expanded role in 2008/9. By 2008/9 it was clear that it was making a major contribution to labourers' standards of living, something that it had not been doing in 1996, still less in 1981/2.

Improved terms and conditions of employment and expanded state social policy had combined to produce very substantially improved standards of living for the labourer population between 1981/2 and 2008/9. It is only in comparison with what were very poor standards in 1981/2 that this looks impressive though. Labourers were still working hard for long hours for relatively low pay in 2008/9, and there were still very few opportunities to move into employment as anything other than very low skilled labour. State social policies may have improved the conditions of low skilled labourers. They were not equipping many to move out of low skilled labour though. These were policies supporting an economy relying on large quantities of relatively low skilled labour still.

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Table 1a: Male Agricultural Labour Force by Caste, 1981/2, 1996 and 2008/9 (numbers)

1981/2	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual	47	43	90	1	21	10	9	41	131
Pannayal	30	3	33		1		1	2	35
SCC**	3	15	18	1	1	6	1	9	27
All	80	61	141	2	23	16	11	52	193

1996	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	39	11	50		14	2	7	23	73
Pannayal	20	2	22						22
SCC**	2	24	26			1		1	27
All	61	37	98		14	3	7	24	122

2008/9	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	71	23	94		6	8	4	18	112
Pannayal	1		1						1
SCC**									
All	72	23	95		6	8	4	18	113

* casual and contract labour

** sugar cane crushers

Table 1b: Male Agricultural Labour Force by Caste, 1981/2, 1996 and 2008/9 (column %)

1981/2	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual	59	70	64	50	91	63	82	79	68
Pannayal	38	5	23		4		9	4	18
SCC**	4	25	13	50	4	38	9	17	14
All	100	100	100	100	100	100	100	100	100

1996	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	64	30	51		100	67	100	96	60
Pannayal	33	5	22						18
SCC**	3	65	27			33		4	22
All	100	100	100		100	100	100	100	100

2008/9	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	99	100	99		100	100	100	100	99

Pannayal	1		1						1
SCC**									
All	100	100	100	100	100	100	100	100	100

* casual and contract labour

** sugar cane crushers

Table 1c: Male Agricultural Labour Force by Caste, 1981/2, 1996 and 2008/9 (row %)

1981/2	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual	36	33	69	1	16	8	7	31	100
Pannayal	86	9	94		3		3	6	100
SCC**	11	56	67	4	4	22	4	33	100
All	41	32	73	1	12	8	6	27	100

1996	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	53	15	68		19	3	10	32	100
Pannayal	91	9	100						100
SCC**	7	89	96			4		4	100
All	50	30	80		11	2	6	20	100

2008/9	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettiars	Others	Non-Dalits	All
Casual*	63	21	84		5	7	4	16	100
Pannayal	100		100						100
SCC**									
All	64	20	84		5	7	4	16	100

* casual and contract labour

** sugar cane crushers

Table 2: Male paid non-agricultural employment by caste, 1981/2, 1996 and 2008/9 (numbers)

1981/2	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettians	Others	Non-Dalits	All
Knitwear factories					7			7	7
Textile mills				2	3	1	1	7	7
Powerlooms									
Workshops					1	1		2	2
misc factories				1	1		2	4	4
Trade & services					4	2	5	11	11
Govt.employment	2	1	3	1	7	6	6	21	21
misc. salaried									
All non-agric.	2	1	3	4	23	10	15	52	52

1996	Chakkiliyars	Pannadis	Dalits	Naidus	Gounders	Chettians	Others	Non-Dalits	All
Knitwear factories	4	2	6		21	6	6	33	33
Textile mills	1	4	5	2	4	4	5	15	20
Powerlooms	4	2	6				1	1	7
Workshops		4	4	2	4	4	1	11	13
misc factories					5	1		6	6
Trade & services		8	8		1	1	4	6	14
Govt.employment	2		2		3	4	2	9	11
misc salaried									
All non-agric.	11	20	31	4	38	20	19	81	111

2008/9	Chakkiliyar	Pannadi	Dalits	Naidu	Gounder	Chettiar	Other	Non-Dalits	All
Knitwear factories	20	4	24		23	18	14	55	79
Textile mills		2	2	1				1	3
Powerlooms		6	6		2			2	8
Workshops				1	1		1	3	3
misc.factories	1~		1			1		1	2
Trade services		2	2		13	3	9	25	27
Govt.employment	1		1		1	4		5	6
misc.salaried					1	1		2	2
All non-agric.	22	14	36	2	41	27	24	94	133